PROFESSOR LORIA'S THEORY OF PROFIT.

In a note in the October number of this *Journal* for 1891, Professor Loria has briefly stated to American readers the theory which is the basis of his splendid *Analysis of Capitalistic Property*. His fundamental conception consists in bringing into the relation of cause and effect the existence of unoccupied land and the profit of capital.

That between free land and the profit of capital there exists an intimate connection certainly no one will wish to deny; and it is also easy to agree with Professor Loria in the opinion that the existence of free land is a condition unfavorable to the owners of capital, and, on the other hand, most favorable to independent laborers. But can it be admitted that, given free land, profit is impossible where slavery does not give it by violence to the owners of capital? We believe not.

On the supposition that free lands exist, the independent laborer certainly will not give his labor for hire to an owner of capital, if the latter does not give him wages at least superior to the sum of products which he, although unprovided with capital, would draw by his own labor from the free land. Will the possessor of capital be able to give him such wages? It is evident that he will. The owner of capital has made the saving of labor and of wealth necessary to produce this capital, solely because by means of this he knew that he could obtain a greater profit than that which he could obtain without the aid of capital. He can therefore give to the independent laborer a rate of wages less than the product obtained from the combination of capital and labor, but at the same time greater than the product obtainable by the laborer upon free lands; and thus he will be able to obtain a small profit.

In no way is it logical to affirm, as does Professor Loria, that the product of the association of labor with capital ought to be divided in equal parts between the laborer and the owner of capital, because the latter would then have no stimulus to save the labor and wealth necessary for obtaining the capital which is directly united with the toil of the laborer,

and would content himself with saving simply the capital which he can employ by himself alone. And, moreover, this division by halves is not a necessary consequence of the position of the contracting parties, because the laborer has no means of enforcing any special claims as to wages, provided the latter are greater than the quantity of product obtainable from free lands. Between this minimum limit and the highest limit which is afforded by the advantage of association to the capitalist, wages, and therefore profit, must be determined according to the special conditions under which the contract of association is entered into.

If, on the other hand, there are no free lands, the laborer unprovided with capital could no longer have any claim relative to wages. The minimum limit of wages at which he can accustom himself to afford his labor tends to a very low level, since it gives to the laborer only what is necessary for physical and social existence. And at this point the theory which explains profit by territorial conditions could no longer apply.

Therefore, the lack of free lands does not determine the rise of profit, as Loria declares, but only lowers the level of the minimum of wages. Free land is a powerful instrument in the hand of the laborers, but it is not an absolute obstacle to the existence of profit, and is simply an important element in determining the rate of wages and of profit; and, moreover, without slavery, it is conceivable that free land might coexist together with the enjoyment of a profit by capitalists who do not unite their own efforts to those of others.

Admitting this considerable modification in the theory of Loria, his applications and his consequences should not be entirely rejected and condemned. Thus slavery is in reality a reaction against the influence of free land, not because this altogether prevents profit, but solely because it greatly limits profit; and yet it is this limitation of profit which renders so difficult the capitalistic development of the first American colonies.

On the other hand, the other applications of the theory to more modern phenomena appear to us less evident, and are so even if the theory of Loria is admitted without change.

Thus it appears to us that the theory of unproductive capital in its varied forms cannot be always explained solely as an artifice of the capitalist class for limiting the capital expended in wages, but that it should rather be held to be the effect of many causes, and of some not necessarily economic, such as the difficulty of transition from one system of production to another, whence spring errors, crises, and disturbances, or the force of inertia and the conservative spirit which keep in life organisms and systems which have become useless or injurious, and, above all, the errors and abuses inevitable in a social life which is the result of the not well co-ordinated activities of individuals and of the struggle of private interests.

In fine, Loria exaggerates, as it appears to me, the influence of land upon capitalistic economy; but this does not diminish my admiration for his great talent. Indeed, the very exaggeration of this theory serves to bring into brighter light his principal merit, which is to have taken account of the great influence which the conditions of property and of production from land have in the social distribution of wealth.

C. A. Conigliani.

University of Modena, Italy.

BOND SUBSIDIES TO RAILROADS IN NEBRASKA.

Railroad building in Nebraska has been subsidized in three ways: first, by State land grants; second, by the issue of county, precinct, or municipal bonds; third, by the donation of town lots, depot sites, or other terminal facilities. This leaves out of view all federal aid, of which there has been a great deal. The bond subsidies have been granted under a law approved February 16, 1869, which gives any county, city, village, or precinct the right to issue bonds for the aid of any railroad or other internal improvement, in any amount, so that the total indebtedness shall not exceed ten per cent. (10%) of the assessed valuation of the taxable property in the county,